

September 14, 2011

Honorable Jerry Brown
Governor of the State of California
State Capital
Sacramento, CA 95814

RE: SBX1 8 Relating to Redevelopment--- Support and Request for Signature

Dear Governor Brown:

On behalf of the City of San José, I respectfully request that you sign SBX1 8 - the Redevelopment Agency budget trailer clean-up bill. This bill is of particular importance to San Jose because it amends ABX1 26 to enable redevelopment agencies to extend existing letters of credit during the freeze period imposed by the legislation and the Supreme Court's stay.

The San José Redevelopment Agency has \$93 million in variable rate subordinate bonds secured by tax increment that are supported by Letters of Credit and Reimbursement Agreements with JP Morgan Chase Bank that expire on November 25, 2011. *If the Letters of Credit cannot be extended, the Agency will be in default, resulting in a \$200 million impact on the Agency's finances and a \$175 million impact to the City.*

The clean-up language in SBX1 8 does not negatively impact the State budget. In fact, the opposite is true--minimizing negative financial impacts and providing additional flexibility to agencies and cities would maximize the likelihood that they could pay the State to opt in. Additionally, the language would have minimal, if any, impact on local taxing entities. In San Jose's case the opposite is true--if the bill is not signed and our Agency is forced into default on debt, all available tax increment after the payment of pass-through payments and senior debt service will be captured to repay credit enhancers and our ability to distribute tax increment to other Santa Clara taxing entities would be delayed considerably. Furthermore, allowing a redevelopment agency to meet contractual obligations to third-party lenders is constitutionally protected and has no bearing on the issues being litigated.

There is no cost to the State to approve SBX1 8, but there is a huge penalty to San Jose if you do not approve the legislation now. I urge you to support and sign SBX1 8. Thank you for your consideration.

Sincerely,



Chuck Reed
Mayor

Cc: Nancy McFadden, Executive Secretary to the Governor
Gareth Elliot, Legislative Secretary to the Governor
San José's Legislative Delegation
San Jose City Council
Debra Figone, City Manager
Richard Keit, Managing Director, San José Redevelopment Agency
James Lansing, Managing Director, JP Morgan Chase Bank